

**BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, DC**

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Essential Air Service at )  
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 **EKWOK, AK** )  
 )  
 Under 49 U.S.C. § 41731 *et seq.* )  
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**DOCKET DOT-OST-2015-0175**

**BID OF  
  
BIDZY TA HOT' AANA, INC.  
  
D/B/A TANANA AIR SERVICE  
  
TO PROVIDE ESSENTIAL AIR SERVICE  
  
TO EKWOK, ALASKA**

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July 22, 2021

**BEFORE THE  
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Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service (Tanana), hereby files this bid to provide Essential Air Service to Ekwok, AK from its designated hub Dillingham. The EAS requirement is three roundtrips per week. Historically Ekwok has been bid with nonstop service. Ekwok is the closest point to Dillingham on the Nushagak River, which flows into Nushagak Bay and then Bristol Bay. Tanana bids at 100% completion, which it intends to do. It does not reduce the apparent total cost of the contract bid assuming a lower completion factor for cost comparison while pledging 100% actual completion.

Tanana proposes to use Cessna 207 or Piper PA-32 Cherokee Six in its current fleet. In the past two years there have been significant cost increases for bush aviation, even before the reduced utilization rates caused by the COVID pandemic. Insurance rates of all kinds have increased multi-fold. A first reflection of the increases was in the South Naknek bid, and the new rates have increased since them. It is hoped that the new rates represent a plateau for insurance costs. The added aircraft utilization may also reduce cost increases rates. Tanana has an excellent safety record, but the increases have affected all carriers.

A second area for greatly increased costs is pilot expense. Even before the pandemic, costs per hour for pilots was increasing rapidly. During the pandemic, far more pilots retired than were certificated. United has predicted a looming pilot shortage and has started an ***ab initio***

program aimed at creating new pilots from scratch, or upgrading Part 135 pilots more quickly. A recent article in “The Hill” newspaper outlined the problems in finding pilots: <https://thehill.com/policy/transportation/aviation/559379-united-ceo-warns-of-possible-pilot-shortage>.

The increase in pilot expenses will continue to inflate faster than other direct expenses for two reasons. The pilot shortage is not going away. Pilot training starts have not kept pace with industry needs during the pandemic, and the added service will use new pilots hired at a greater pay level.

Previously, most of the flying was done by Tanana President Eric Shade. Most of his compensation was included in Capacity Related Expense. While other direct expenses are assumed to increase at 4% per year for the first three years, the historic average, pilot unit costs are assumed to increase 8% per year.

There is better news on indirect expenses. Because of increased flight and traffic activity at Tanana’s two bases, cost for Traffic and Departure related expenses have declined. Previously Tanana was able to reduce its bid at Koliganek because of improved utilization. Administrative expense has dropped from 12% of all other expenses to 10%.

Grant has endured similar cost increases. From CY 2018 through CY 2020, Grant’s C-207 direct expense unit costs increased 22%. Indirect costs also increased 22%. Only a small amount of the increase can be ascribed to reduction in utilization during the pandemic. Both C-207 block hours and total departures were reduced only slightly from 2018-2020.

It would be particularly beneficial for the Nushagak communities to have Tanana provide the EAS at Ekwok. Both Grant and Tanana provide service to New Stuyahok, and both have qualifying mail shares. Both carriers have proposed subsidy-free bids at New Stuyahok. At Koliganek, Grant has eliminated service, and has nearly a zero passenger share for mail qualification. Tanana submitted a bid that reduced its existing subsidy rate based on the system efficiencies noted above. Grant submitted a gratuitous subsidy-free bid at Koliganek. Previously it had requested \$400,000 per year. There is no data support for this dog-in-the-manger bid, but even if accepted it will be months before Grant qualified for mail. With the addition of Ekwok, Tanana will serve the entire Nushagak River area, and be able to provide inter-village as well as nonstop to hub service.

While leisure travel seems to be rebounding, business and medical traffic remains depressed. Tanana assumes a step back in traffic levels to a year previous levels for the five year average. It is assumed that the first-year passenger traffic will be somewhat higher than the current depressed levels, and will recover to pre-pandemic levels over time. Freight and mail traffic has

remained unchanged. There have been changes in service delivery in the bush which may depress passenger traffic permanently, but Tanana assumes eventual recovery.

For over 35 years, the Shade family has met the air service needs of the Bristol Bay area. No carrier has more experience, or a stronger customer service ethic.

**WHEREFORE**, Bidzy Ta Hot' Aana, Inc. respectfully requests that its EAS designation at Ekwok, AK be extended for two to five years years at the rates indicated in Appendix A.

Respectfully submitted,

Bidzy Ta Hot' Aana, Inc. d/b/a Tanana Air Service

A handwritten signature in blue ink, appearing to read "Hank Myers", with a stylized flourish at the end.

Hank Myers, authorized agent

July 22, 2021

<u>7/22/2021</u>							Appendix A
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<b>ESSENTIAL AIR SERVICE AT EKWOK, AK</b>		<b>Cessna 207/Piper PA-32 SERVICE</b>					
<b>OPERATIONS</b>							
<b>MARKET</b>	<b>DEPS</b>	<b>AVG BLOCK</b>	<b>TOTAL BLOCK</b>				
DLG-KEK	156	27	4,212.0				
KEK-DLG	156	25	3,900.0				
<b>TOTAL</b>	<b>312</b>		<b>8,112.0</b>				
		<b>Block Hours</b>	<b>135.2</b>				
<b>EXPENSES</b>							
<b>Item</b>	<b>Units</b>	<b>Current Unit Costs</b>	<b>1st Year Expenses</b>	<b>2nd Year Expenses</b>	<b>3rd Year Expenses</b>	<b>4th Year Expenses</b>	<b>5th Year Expenses</b>
Pilot & CoPilot	135.2	\$241.00	\$35,189.86	\$38,005.04	\$41,045.45	\$44,329.08	\$47,875.41
Fuel & Oil	135.2	\$122.00	\$17,154.18	\$17,840.34	\$18,553.96	\$19,296.12	\$20,067.96
All Insurance	135.2	\$110.00	\$15,466.88	\$16,085.56	\$16,728.98	\$17,398.14	\$18,094.06
Maintenance	135.2	\$320.00	\$44,994.56	\$46,794.34	\$48,666.12	\$50,612.76	\$52,637.27
Aircraft Lease/Depr	135.2	\$125.00	\$17,576.00	\$18,279.04	\$19,010.20	\$19,770.61	\$20,561.43
<b>TOTAL DIRECTS</b>		<b>\$918.00</b>	<b>\$130,381.47</b>	<b>\$137,004.33</b>	<b>\$144,004.70</b>	<b>\$151,406.71</b>	<b>\$159,236.14</b>
Traffic Related	312	\$35.00	\$11,356.80	\$11,811.07	\$12,283.51	\$12,774.86	\$13,285.85
Departure Related	312	\$105.00	\$34,070.40	\$35,433.22	\$36,850.54	\$38,324.57	\$39,857.55
<b>TOTAL INDIRECTS</b>		<b>\$140.00</b>	<b>\$45,427.20</b>	<b>\$47,244.29</b>	<b>\$49,134.06</b>	<b>\$51,099.42</b>	<b>\$53,143.40</b>
<b>SUBTOTAL</b>			<b>\$175,808.67</b>	<b>\$184,248.61</b>	<b>\$193,138.76</b>	<b>\$202,506.13</b>	<b>\$212,379.54</b>
<b>CAPACITY RELATED</b>		10.00%	\$17,580.87	\$18,424.86	\$19,313.88	\$20,250.61	\$21,237.95
<b>TOTAL SYSTEM</b>			<b>\$193,389.54</b>	<b>\$202,673.47</b>	<b>\$212,452.64</b>	<b>\$222,756.74</b>	<b>\$233,617.49</b>
<b>Specific Ground Support</b>							
<b>Contracted Ground Handling</b>			<b>\$14,480.00</b>	<b>\$15,059.20</b>	<b>\$15,661.57</b>	<b>\$16,288.03</b>	<b>\$16,939.55</b>
<b>TOTAL OPERATING EXPENSES</b>			<b>\$207,869.54</b>	<b>\$217,732.67</b>	<b>\$228,114.20</b>	<b>\$239,044.77</b>	<b>\$250,557.04</b>
<b>PROFIT @ 5% MARKUP</b>			<b>\$10,393.48</b>	<b>\$10,886.63</b>	<b>\$11,405.71</b>	<b>\$11,952.24</b>	<b>\$12,527.85</b>
<b>TOTAL ALL EXPENSES</b>			<b>\$218,263.02</b>	<b>\$228,619.31</b>	<b>\$239,519.91</b>	<b>\$250,997.01</b>	<b>\$263,084.89</b>
<b>ESSENTIAL AIR SERVICE AT EKWOK, AK</b>		<b>Cessna 207/Piper PA-32 SERVICE</b>					
<b>TRAFFIC</b>	<b>Total</b>	<b>Average Yield</b>	<b>First Year Revenue</b>	<b>Second Year</b>	<b>Third Year Revenue</b>	<b>Fourth Year Revenue</b>	<b>Fifth Year Revenue</b>
<b>PASSENGERS</b>	580	\$ 59.00	\$34,220	\$35,589	\$37,012	\$38,493	\$40,033
<b>FREIGHT</b>	21000	\$ 1.00000	\$21,000	\$21,840	\$22,714	\$23,622	\$24,567
<b>MAIL</b>	85000	\$ 1.17593	\$99,954	\$103,952	\$108,110	\$112,435	\$116,932
<b>TOTAL</b>			<b>\$155,174</b>	<b>\$161,381</b>	<b>\$167,836</b>	<b>\$174,550</b>	<b>\$181,532</b>
<b>SUBSIDY NEED</b>			<b>\$63,089</b>	<b>\$67,238</b>	<b>\$71,684</b>	<b>\$76,447</b>	<b>\$81,553</b>
<b>SUBSIDY NEED/DEPARTURE</b>			<b>\$202.21</b>	<b>\$215.51</b>	<b>\$229.76</b>	<b>\$245.02</b>	<b>\$261.39</b>
<b>SUBSIDY NEED PER PASSENGER</b>			<b>\$108.77</b>	<b>\$115.93</b>	<b>\$123.59</b>	<b>\$131.81</b>	<b>\$1,382.26</b>
<b>Note: Passenger fares and freight rates are those charged today.</b>							
	<b>Mail rates are current class rate increased by 4% to reflect anticipated rates.</b>						